

# Gillette: Product and Marketing Innovation

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*Synopsis: Gillette has long been known for innovation in both product development and marketing strategy. In the highly competitive, but mature, razor and blade market, Gillette holds a commanding worldwide market share. The peak of its innovation occurred in 2006 with the introduction of the Fusion 5-bladed razor. Today, innovation in razors and blades is thwarted by a lack of new technology and increasing consumer reluctance to pay for the “latest and greatest” in shaving technology. Gillette must decide how to put the razor wars behind them and maintain or increase its share of the global razor market.*

*Themes: Product leadership, product innovation, pricing strategy, integrated marketing communication, segmentation, sports marketing, global marketing, SWOT analysis, strategic focus*

Since its inception in 1901, Gillette has always prided itself on providing the best shaving care products for men and women. In fact, the company was so visionary that it didn't have any serious competition until 1962, when Wilkinson Sword introduced its stainless steel blade. Since that time, the Wilkinson Sword-Schick Company has evolved into Gillette's primary competitor. Through the years, Gillette has strived to stay on the cutting edge of shaving technology in a market that thrives on innovation. This focus has led to a game of one-upmanship with Schick as each company introduced 3-bladed (Gillette's Mach3), 4-bladed (Schick's Quattro), and 5-bladed (Gillette's Fusion) razors in rapid succession. Now, under the ownership and guidance of Procter & Gamble, Gillette faces a saturated U.S. market that fluctuates only when newer, more innovative products are introduced. However, many analysts believe that Gillette and Schick have reached the end of meaningful product innovation. Given this, Gillette faces the challenge of further expanding its already dominant market share around the world. And in a market that thrives on innovation, Gillette must determine how to balance the continued investment of resources in research and development, searching for “the next big thing” in the global shaving market, with capturing more of

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Leanne Davis, Florida State University MBA Class of 2010, prepared this case for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation. This is a revised version of the case developed by Don Roy, Middle Tennessee State University, and Michael D. Hartline, Florida State University.

their loyal consumers through product-line expansions and inspiring marketing campaigns.

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## The History of Innovation at Gillette

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Born in Fond du Lac, Wisconsin in 1855, King Camp Gillette learned from an early age the importance of self-sufficiency, innovation, and invention. After his family's home was destroyed in the Chicago Fire of 1871, Gillette left home at 16 years of age to become a traveling salesman. His experiences in his position led him to William Painter, the inventor of the disposable Crown Cork bottle cap, who assured him that a successful invention was one that was purchased over and over again by a satisfied customer. In 1895, after several years of considering and rejecting possible inventions, Gillette suddenly had a brilliant idea while shaving one morning. It was an entirely new razor and blade that flashed in his mind—a razor with a safe, inexpensive, and disposable blade. According to reports, Gillette's idea wasn't immediately successful, as technical experts said it would be impossible to produce steel that was hard, thin, and inexpensive enough for commercial development of the disposable razor blade. However, in 1901, with the technical partnership of MIT graduate William Nickerson, Gillette produced the original Gillette safety razor and blade, establishing the foundation for the Gillette Safety Razor Company.

Since 1901, the Gillette Company has led the personal care and grooming industry through manufacturing efficiency and exceptional marketing. By offering “consumers high-quality shaving products that would satisfy basic grooming needs at a fair price,” Gillette effectively captured more than half of the entire razor and blades market across the globe. In fact, in the 1920s Gillette said the following of his razor product: “There is no other article for individual use so universally known or widely distributed. In my travels, I have found it in the most northern town in Norway and in the heart of the Sahara Desert.”

Gillette's success in this market carried the company through economic droughts in the 1920s and 1930s, as well as allowed it to weather the storm brought on by World War II. In 1948, Gillette set its all-time performance record with profits per share of \$6.80. Encouraged by the successful development of his razor products, Gillette felt inclined to challenge his entrepreneurial spirit with the acquisition of two unrelated ventures: the Toni Company, maker of do-it-yourself home permanent-wave kits, and the Paper Mate Pen company, producer of retractable, refillable ballpoint pens. Although seemingly profitable at first, both acquisitions proved to be unsuccessful as sales and revenue waned due to declining demand and innovative competitors, such as Bic's low-priced disposable (nonrefillable) pens from France. As a result, Gillette's unblemished track record for success became tarnished as net profits slumped to \$1.33 per share in 1964.

Despite this fact, Gillette reigned as a visionary monopoly in the personal shaving market until 1962, when English firm Wilkinson Sword introduced its stainless-steel blade. Distracted by its experimental ventures with the Toni Company and Paper Mate, Gillette neglected to foresee the impact this small company could have on its

core business of razors and blades and began to lose a substantial portion of market share. Although Gillette retained 70 percent, the arrival of Wilkinson Sword's stainless-steel blade initiated a transition in niche markets. For the first time, Gillette executives were unsure how to respond. Should they introduce their own stainless-steel blade or ignore the rival and hope that its market niche would remain small? Fortunately for Gillette, Wilkinson Sword lacked the resources necessary to exploit the niche markets it had penetrated and where it competed with Gillette. Eventually, Wilkinson Sword sold much of its blade business to Gillette. Unfortunately, by this time Gillette had already begun to feel the impact of competition as its market share had dipped to an all-time low of 49 percent.

To revive Gillette's market share and bounce back from unsuccessful product ventures into do-it-yourself permanent-wave kits and refillable ballpoint pens, Gillette's new CEO Vincent Ziegler spearheaded an acquisition and product development campaign. Ziegler was often described as aggressive, marketing oriented, and ambitious for the company, believing in diversification through the acquisition of companies in other business segments. Under Ziegler's leadership, Gillette purchased the following companies: Braun AG (German manufacturer of small appliances), S.T. Dupont (French maker of luxury lighters), Eve of Roma (high-fashion perfume), Buxton Leather goods, Welcome Wagon, Inc., Sterilon hospital razors, and Jafra Cosmetics (home sales). Unfortunately, four of these acquisitions proved to be unprofitable or unsuitable and were divested, and the other three yielded low profits by Gillette's standards. These ill ventures exposed the company to competitive pressures, especially in the form of Bic's disposable razors and lighters. In addition, Bic's 19-cent disposable stick pens particularly affected the Paper Mate line of refillable pens and drove Paper Mate's share of the retail ballpoint pen market from more than 50 percent down to 13 percent. In 1975, Gillette retaliated with the introduction of its new Write Brothers line of disposable pens and salvaged a good portion of the lost market share with heavy price promotions.

Despite these pressures, Gillette experienced moderate successes under the leadership of Ziegler with the introduction of Cricket disposable lighters and Soft & Dri antiperspirant (until the industry experienced a sharp decline in sales of the spray product due to the belief that aerosols destroy the ozone layer). Furthermore, the introduction of the Trac II razor was deemed a "great success" and thus continued Gillette's dominance in this market. Other successful product developments came under the leadership of Colman Mockler, Gillette's next CEO, whose strategy was to "cut costs dramatically and pour the money saved into ad and product development budgets." Under Mockler, Gillette experienced some of its greatest successes including memorable innovations such as the Atra razor, the Good News! disposable razor, and the Daisy razor for women. After these product additions, Gillette held roughly 75 percent of the global market in razors and blades, including a majority of the U.S. shaving market (razors, blades, and the leading shaving cream). By the end of 1980, Gillette's sales rose above \$2 billion for the first time in the company's history.

The foundation of this success was the introduction of new products for the razor and blade market developed in Gillette's home laboratories. As previously mentioned,

Gillette's Atra-Plus shaving system, which featured a refillable Atra cartridge with a lubricating strip, overtook the Trac II as the number one selling razor. In addition, to directly compete with Bic and other razor companies, Gillette updated its Good News! line to include a disposable razor with a lubricating strip. Furthermore, in the personal care segment, Gillette made several introductions, including Aapri facial care products, Dry Idea deodorant, Bare Elegance body lotion, Mink Difference hair spray, White Rain hair care products, and Silkience shampoo and moisturizers. These additions had mixed results and left Gillette still searching for the keys to success in this business segment. In the writing instruments segment, Gillette achieved moderate success with the development of Eraser Mate erasable, disposable pens. Also, the steady sales of Paper Mate pens and Liquid Paper correction fluids helped to maintain company performance.

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## The Razor Wars Begin

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By 1990, Gillette found itself in the interesting position of cannibalizing its own successful products with the launch of the Sensor razor. The Sensor soared in sales globally and quickly dominated the market, only to be succeeded by the Sensor Excel in 1993. This was not the first competing product produced by Gillette; however, it represented the first product that was able to effectively shift consumer demand and sales away from the Atra and Trac II—Gillette's leading products. A similar effect occurred in the women's razor market with the development of the Sensor for Women in 1992 and the Sensor Excel for Women in 1996. As to be expected, the continued success of the Sensor family of shaving systems led to the gradual decline of the Atra and Trac II twin-blade shaving systems. However, despite this decline, the Atra and Trac II razors continued to hold decent market share positions worldwide. In addition, holding steady since 1976, Gillette's Good News! brand maintained its position as the best-selling disposable razor in its product category worldwide.

Gillette's internal competition heated up with the introduction of the Mach3 razor in 1998. Touting three thin blades designed to provide a closer shave with fewer strokes and less irritation, the Mach3 became Gillette's most successful new product ever as sales rose to \$1 billion in the first 18 months. Recognized for its innovative design (blades on tiny springs), the Mach3 was named winner of the American Marketing Association's Grand Edison Award for the best new product of 1998. Similar to the marketing strategy employed for the Sensor and Sensor Excel products, Gillette sequentially produced the Mach3 Turbo for men and the Venus system for women in an attempt to further expand the reach of Mach3 technology and market share.

In 2003, the razor wars got ugly as Gillette faced a new, more threatening competitor: Schick and the Quattro—the world's first four-bladed razor. Before Schick introduced the Quattro to the market, Gillette sued Energizer holdings and its Schick division, arguing that the Quattro illegally used the same "progressive geometry" technology as the Mach3. However, despite the lawsuit, Schick was allowed to launch the Quattro. To combat the suit, Schick countersued Gillette, claiming that Gillette's advertisements stating "the world's best shave" and "the best a man can get" were

misleading. While Gillette and Schick engaged in a legal ping-pong match, consumer preferences and purchases were changing. In addition to Schick's Quattro for men, its Intuition for women began to encroach upon Gillette's hold of the women's shaving market. Schick's total share of the U.S. market had risen 2.9 percent to 17 percent, while Gillette's total share of the razor and blades market had fallen 4.3 percent to 63 percent.

To fight back, Gillette aggressively established a twofold plan of attack for recapturing market share. This strategy included converting consumers to higher-priced razors and blades, such as the Sensor, Sensor Excel, and Mach3 lines, from the single- and twin-blade razors, and geographically expanding into the areas of Romania and the former Yugoslavia, the Soviet Union, and the Czech Republic. At the forefront of Gillette's strategy sat its secret weapon: the Fusion—the world's first 5 (+1) blade razor, introduced in 2006. Using a unique five-blade design with a single blade on the back of the cartridge for use in trimming mustaches and sideburns, the Fusion exploded off the shelves and sold more than 4 billion razors within the first two months. Furthermore, the Fusion razor represented the first product introduction since Proctor & Gamble finalized its purchase of The Gillette Company and its subsidiaries, including Braun, Duracell, and Oral-B.

Although the Fusion represented a victory for Gillette and P&G, the hype surrounding its initial success was quickly fleeting. Other than being more expensive than the Mach3 (each cartridge costing 75 cents to \$1 more than the Mach3 cartridge), critics questioned why five blades were needed to get the best shave when Gillette had touted its three-bladed Mach3 as “the best a man can get” since the late 1990s. In addition, *Consumer Reports* concluded that there were no additional performance benefits provided by the five-bladed Fusion, especially when compared to the Mach3. However, what was the most concerning for Gillette was the fact that sales reports indicated that the razors were outselling the cartridge refills. This translated to a consumer perception akin to a “novelty” product with a lack of staying power and product loyalty. Further, from a financial standpoint, Gillette feared not reaching the sales potential for the product combination, because it is well-known that razor manufacturers earn most of their profits from refills, not the initial razor purchase. Despite these concerns, the Fusion line continues to be a successful revenue generator for Gillette and its top-selling razor to date.

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## Gillette's Recent Marketing Strategies

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Rather than continue the razor wars by producing a six- or seven-blade razor, Gillette focused on releasing complementary products, enhancing its existing product lines and expanding its intensely successful marketing strategy. To complement its already successful razor and blades division, Gillette sought to expand its product portfolio inside the shower doors to create the full “shower experience.” For example, the launch of Gillette Hair Care and Body Wash for men, as well as its Clinical Strength deodorant, represented the most significant Gillette brand extensions outside of the razor and blades division, and aimed to reinforce the brand's standing as the world's

leading male-grooming authority. “We’ve earned the trust of the more than 600 million men who start their day with a Gillette razor,” said Chip Bergh, group president, Global Personal Care, Procter & Gamble. “By offering superior deodorant, body washes, and shampoos, we are able to reward that trust by giving guys what they want and need in other areas of their grooming routines.”

Because Gillette is in the maturity stage of its product life cycle, focusing on these complementary products allows the company to increase its share of customer. Defined, share of customer refers to the percentage of each customer’s needs in a particular area met by the firm and is exploited when a company with brand loyalty effectively capitalizes on that preference to market other products. Gillette’s ability to increase its share of customer is greatly enhanced due to the resources available at Procter & Gamble. According to Clayton C. Daley, Jr., vice chairman and chief financial officer of P&G, “One of the objectives of the Gillette integration has been to leverage the strengths and technologies of both companies to develop new products. We’re generating revenue synergies by combining our superior science and male-grooming expertise to introduce these adjacent Gillette-branded products.”

In addition to complementary products, Gillette’s primary focus has been on the extension of its core business and the marketing programs that support it. Going beyond simple brand advertising, many of the initiatives and activities introduced by Gillette created a synergy between product development and marketing strategy. For example, building off the success of the Fusion and Fusion Power razor and blades, Gillette released the Fusion Power Phantom (Stealth in the United Kingdom) in February 2007. The Phantom razor featured a redesigned handle and a darker color scheme than the original Fusion Power. In addition, in February 2008, Gillette released another revision, the Fusion Power Phenom, redesigned with a metallic blue and silver satin chrome handles color scheme. Most recently, Gillette launched the gaming-inspired Fusion Power Gamer razor at the EA SPORTS Champions of Gaming Tournament in early 2009.

### Sports Marketing Activities

Gillette’s lethal combination of marketing and product development stemmed from the fact that when it came to blades and razors, Gillette was not content with merely having an innovative product. The company virtually turned its marketing into a quantitative science, pouring time and resources into marketing plans that were almost military in their precision and implementation. Gillette’s stellar marketing strategies date back to the Sensor and Senor Excel products and can be attributed, in large part, to the success of its current market position and yearly sales volume. Focused heavily on male-dominated sports marketing activities, Gillette’s marketing atlas included the following elements:

- On a grand scale, the company’s most visible promotion was and still is Gillette Stadium – home to the NFL’s New England Patriots and soccer’s New England Revolution. The facility, which seats nearly 70,000 fans, hosted the 2002 MLS Cup, 2003 AFC Championship game, and four games of the 2003 FIFA Women’s World

Cup. By sponsoring these types of athletic activities, Gillette is able to reach a worldwide audience, as soccer is tremendously popular in Latin America and European countries. It is particularly important to note that 60 percent of Gillette's sales are generated outside the United States, so worldwide appeal is critical in its marketing strategies. Case in point: The company's image and reputation more than doubled in popularity after it signed soccer superstar David Beckham as its worldwide spokesman in 2004.

- Launched in February 2007, Gillette heavily marketed the Gillette Champions program centered on the athletic and personal accomplishments of three of the world's greatest athletes—Tiger Woods, Roger Federer, and Thierry Henry. According to Gillette, each of these athletes personifies the essence of Gillette's brand: on and off the field, and “the best a man can get.” As a group, the Gillette Champions blurred the lines of ethnicity, nationality, and language, making them attractive in the global arena. As part of the Champions program, Gillette featured numerous multimarket, targeted promotions based on the type of sport played by each of its champions. For example, as part of the “Look Like a Champion Sweepstakes,” customers were offered a “once in a lifetime opportunity to learn how to look and play like a like real champion with a private training session from legendary golf coach, Hank Haney.”
- Other sports-themed marketing programs include the heavily invested NASCAR marketing program and the Gillette Young Guns program. Aimed at racing fans with the purpose of driving sales for Gillette's premium razors and shave care products, NASCAR and Gillette promoted the fast and furious life of men through television, print, online, public relations, and event marketing tactics. Example promotions included Gillette's consumer program coordinated with NASCAR's Chase for the Sprint Cup, and the Daytona 500 Flip Card Stunt. In the Case for the Sprint Cup promotion, 10 lucky sweepstakes finalists from all over the country had the opportunity to experience “a race fan's dream” as they zipped up their fire suits and raced actual stockcars in a five-lap race. In addition to winning trophies, each finalist was coached by one of the six Gillette Young Guns, NASCAR's top drivers (Kurt Busch, Dale Earnhardt, Jr., Carl Edwards, Jimmie Johnson, Jamie McMurray, and Ryan Newman). Other NASCAR/Gillette marketing partnerships included the largest ever-attempted Daytona 500 Flip Card Stunt. Prior to the start of the race, more than 118,000 fans seated along the front stretch and backstretch of the racetrack participated in the stunt, which promoted the Fusion and Fusion Power shaving line. During the National Anthem, the fans held up the front of the cards, which displayed a patriotic design. Following the Anthem, participants flipped the cards over and revealed the Gillette Fusion logo. These and other promotions earned Gillette the 2008 NASCAR Marketing Achievement Award, racing's top sponsor award.
- Gillette continues to foster its relationship with Major League Baseball, a partnership that dates back to 1910, when Gillette featured baseball greats like Honus Wagner in ads for the original Gillette Safety Razor. In 2008, Gillette and MLB

created the “MLB Rookie of the Month Award presented by Gillette” that encouraged fans to go online to the Gillette website and vote for their favorite player. This proved to be mutually beneficial for Gillette and MLB as it drove Internet traffic to Gillette’s website as well as encouraged fans to become more engaged and involved in the sport of baseball. “Major League Baseball and Gillette have a long standing and successful business relationship, so it is a great pleasure to announce this new program that allows fans greater access to Major League Baseball,” said John Brody, Senior Vice President, Corporate Sales & Marketing, Major League Baseball. “The ‘MLB Rookie of the Month Award presented by Gillette’ will honor the finest young talent in the game, and our fans will play an integral role in selecting the top performing rookie in both the American and National League each month.”

- Capitalizing on one of the most fanatic audiences available, Gillette also partnered with the NCAA to promote a clean, shaven “game face” with the Gillette “Game Face” college football promotion. “This is a truly a one-of-a-kind contest for the ultimate college football fan,” said Michelle Potorski, Associate Marketing Director, Gillette Male Blades and Razors. “We’re looking to find the college football fan who can best display their favorite school’s pride in the most unique way. We are looking to college football fans to prove their pride.” Winners received the opportunity to be on a Gillette television commercial, take home an Xbox 360, and be crowned the 2008 National “Game Face” Champion.
- Gaming has also become a Gillette-sponsored pastime. Reaching out to this previously untargeted market group opened up a whole new ocean of customers who may not have been as attracted to Gillette’s prior sports-heavy marketing strategy. By partnering with EA Sports and launching the Fusion Power Gamer razor, Gillette was able to tap into this market by launching the world’s largest multi-sport gaming competition. Giving gamers the attention they frequently lack in worldwide marketing schemes has been beneficial to both Gillette’s image and their market share. According to Gillette Champion Tiger Woods, “This program will give guys the chance to play games at the highest level possible, which is always exciting. To be the best at anything is an amazing feat.”
- Audience marketing strategies include targeting alternative audience groups such as young adults, the gay and lesbian market, and WWE wrestling fans. For example, current promotions include shipping a promotional Fusion razor to males in the United States around the time of their 18th birthday, as well as providing free razors to college campuses and national gym franchises. In Europe, Gillette has also attempted to reach the gay and lesbian market by placing ads in media such as the United Kingdom’s *Gay Times*.

Furthermore, in light of the depressed economy and decline in consumer spending, Gillette added an additional layer to its traditional sports-themed marketing concerning pricing strategy. At the end of 2008, Gillette launched an advertising campaign reminding consumers of the value of Gillette’s blade technology. The new

Gillette Fusion television ad, featuring NASCAR star and Gillette Young Gun Carl Edwards, focused on the performance of the Gillette Fusion through sleek shots of the razor and the sounds of revving engines. The ad asked, "In the world of high performance, what machine can you run for as low as \$1 a week?" Edwards noted that, for as low as \$1 a week, Gillette Fusion blades, are "money well spent." The purpose of the campaign was to put into perspective the cost per week of the system and downplay the concerns that Gillette's razors and blades were too expensive in times of economic distress.

Also in late 2008, Gillette debuted a new global brand campaign, the first in five years, building upon the recent introduction of men's hair styling and personal care products. With the purpose of expanding the brand and strengthening the emotional bond among men, Gillette introduced "The Moment" campaign, a modernization of Gillette's "The Best a Man Can Get." According to P&G, Gillette "conducted extensive global research among thousands of men, which revealed that even the most confident guys have doubts at many moments throughout their lives. Also revealed was that men are looking for products that give them the confidence they want and need to step up, perform and look, feel and be their best." "The Moment" campaign features everyday guys, as well as the Gillette Champions (Tiger Woods, Roger Federer, and Derek Jeter), experiencing moments of doubt faced by every guy, whether it is the moment he steps on the doorstep before a date, just before he delivers a presentation, or the seconds before sinking a crucial putt, and the role Gillette's high-performance products play in helping him gain the confidence to succeed in that moment.

### Price vs. Innovation

Since 2007, Gillette has acknowledged that product quality and efficient marketing are the core value propositions that set the pace for the success of Gillette's product lines. "If you have a significantly and demonstrably superior product or service, it really is quite meaningful," said Benson P. Shapiro, a marketing consultant in Concord, Massachusetts. However, "If you don't put it into language that gives a promise of something better, people won't try it." But, according to William J. Flynn, the business director of blades and razors at Gillette, "If you can create an appeal that gets them to try the product, the product will sell itself."

Unfortunately, despite its stellar marketing efforts, U.S. unit sales of Gillette's blade cartridges fell roughly 10 percent every month during the economic recession of 2008–2009. When combined with the fact that Gillette consistently raised prices to offset higher production costs, it becomes clear that consumers have slowed their purchases of Gillette's razor products. This is especially evident when compared to the sales of private-label disposable razors, which increased 19 percent over the same time frame. "Sticker shock is happening now," says Burt Flickinger III, a managing director at consultancy Strategic Resource Group. "As we get deeper into the economic slowdown, there will be some really pronounced growth of private-label blades."

P&G, however, does not expect Fusion sales to slow and in fact asserts that the Fusion shaving system continues to gain market share, which now stands at 36 percent of the U.S. shaving-systems market (up 4 percentage points from 2007). Instead of

private-label blades, the company blames declines in Gillette's older shaving systems for taking away from Fusion's gains. "P&G says that, although sales of blades and razors have slowed in North America and Western Europe by about 1 percentage point, that has been offset by robust sales in emerging markets, which are growing at double-digit rates. According to P&G, Gillette holds 71 percent of the global shaving market.

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## Looking Toward the Future

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To succeed in the future and effectively "win" the razor wars and beyond, Gillette must find new ways to innovatively out-produce or out-market the competition. In essence, the challenge for Gillette is to push the envelope without creating innovations that are seen as trivial. In order to do so, they must consider several key factors.

### Pricing Strategy

Approximately 1.3 billion men worldwide shave with a razor blade. Within the United States, 94 million men ages 15 years and older remove hair in some fashion. Of these, 85 percent prefer to wet shave with a razor blade. The average American male begins to shave between the ages of 14 and 16 and continues to shave for the majority of his life. In addition, 100 million women in the United States, ages 13 years and older, remove hair in some fashion. Of these women, 94 percent prefer to shave with a razor blade.

On average, men in the United States shave 5.33 times per week, or 24 times a month, and spend approximately \$22 a month for razors, blades, and shave preparations. The retail price of a Fusion Power razor for men and a four-pack of replacement cartridges is \$26.28—a full \$4 higher than what the average man pays per month. The retail price of a Fusion Power razor and an 8-pack of replacement cartridges is \$40.98, almost doubling what the average man spends in a month. Similarly, U.S. women shave an average of 11 times per month and spend approximately \$11 a month for razors, blades, and shave preparations. Gillette's Venus Vibrance razor sells for \$8.29 and its replacement cartridges cost \$8.49 for a 4-pack. The total purchase price of \$16.78 is almost \$6 higher than the monthly average. The price of an 8-pack of Venus Vibrance replacement cartridges increases the total to \$28.28, approximately \$17 higher than the average amount spent per month. A price comparison of various brands in the men's and women's wet-shaving market is shown in Case Exhibit 1.1.

### Global Target Markets

When considering possible increased global expansion, Gillette must consider the roles that culture, religion, and Western influences play in shaving behavior. For example, internationally, 15 percent of the world's male population does not shave due to discomfort from shaving; 7 percent does not shave for religious reasons; and 3 percent

## CASE EXHIBIT 1.1

## WET-SHAVING PRODUCTS AND PRICES

	Brand	Initial Price of Razor	Price of Replacement Cartridges
<b>Men's Products</b>			
Gillette	Mach3	\$8.79	12 for \$25.19
	Mach3 Turbo	\$9.79	8 for \$21.29
	Fusion (includes Phenom)	\$9.99	4 for \$14.49
	Fusion Power (includes Power Phenom)	\$11.99	4 for \$14.49
Schick	Quattro	\$9.99	4 for \$10.49
			8 for \$19.99
	Quattro Titanium	\$9.99	4 for \$10.99
Bic	Comfort 3		4 for \$4.99
	Comfort 3 Advanced		4 for \$6.99
<b>Women's Products</b>			
Gillette	Venus	\$5.99	4 for \$10.49
			8 for \$19.29
	Venus Divine	\$9.79	8 for \$21.29
	Venus Breeze	\$9.99	4 for \$11.99
	Venus Vibrance	\$11.99	4 for \$11.99
	Venus Embrace	\$12.99	4 for \$15.49
Schick	Quattro for Women	\$9.99	4 for \$10.99
			8 for \$21.39
	Silk Effects	\$5.99	5 for \$8.99
	Intuition Plus Refreshing Moisture	\$9.99	6 for \$19.99
	Intuition Plus Sensitive Care	\$9.99	6 for \$19.99
Bic	Soleil Triple Blade		4 for \$6.99
	Soleil Twilight		4 for \$6.99

Source: Drugstore.com (<http://www.drugstore.com>) and CVS.com (<http://www.cvs.com>), accessed September 24, 2009.

simply does not care to shave. Being aware of these behavioral and cultural characteristics will allow Gillette to effectively segment and target those they will be most successful in transforming into customers. Similarly, although some women in European countries choose not to shave for cultural reasons, others now prefer to engage in the activity as they increasingly embrace Western lifestyles. For example, younger generations of European women are being influenced by American movies and television that depict women with sleek underarms and legs. By fostering adoption of the shaving lifestyle, Gillette can effectively capitalize on this trend. In fact, if European women embraced hair elimination at the same pace as American women, total blade sales would increase by hundreds of millions each year.

### Technological Advances vs. Development Costs

In the past, razor manufacturers experimented with numerous technological advancements to provide the perfect shave, including increasing the number of blades contained in the cartridge, adding tiny electric motors for a powered shave, and improving supplemental shaving products such as gels and lotions. In various patent infringement suits attempting to defend its technology, Gillette lost in both the United States and in Europe. This proves that any innovation must be unique enough to warrant patent protection and not be categorized as a “trivial” enhancement. However, to develop truly unique products, firms like Gillette must spend millions in research and development. When Gillette introduced the Mach3 in 1998, it spent \$680 million on research and product testing. The company spent slightly less than that amount to develop the Fusion. In both cases, Gillette more than recouped its research investment. However, as Gillette looks to future technological innovations, the company must be concerned about broad consumer acceptance and whether its research investment can be recovered in a reasonable time frame.

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### Conclusion

In many ways, Gillette and Procter & Gamble are in an enviable position. Gillette’s products dominate the global wet-shaving market. The company continues to grow, although slowly, in every worldwide market. Still, many industry analysts wonder if Gillette has reached the end of its historical innovation in wet-shaving technology. Thus far, Schick has not responded to the Fusion with a breakthrough innovation of its own. Given that the wet-shaving market is mature, Gillette must depend on innovation to perpetuate its dominance (whether in product design or marketing), as well as create an appeal that entices customers to try and purchase its products. By aligning that appeal with what customers value, Gillette has the potential to establish a position of long-term product maturity and market dominance. In that position, it won’t matter how many blades a competitor puts on a razor.

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### Questions for Discussion

1. Evaluate product innovation at Gillette throughout its history. Has Gillette been a victim of its own success? Has product innovation in the wet-shaving market come to an end? Explain.
2. What do you make of the battle between Gillette and Schick? Is the battle of one-upmanship good for either company?
3. What actions would you recommend over the next five years that would help Gillette maintain its worldwide dominance in the shaving market? What specific marketing program decisions would you recommend? Should Gillette be worried about Schick? Explain.

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## Sources

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